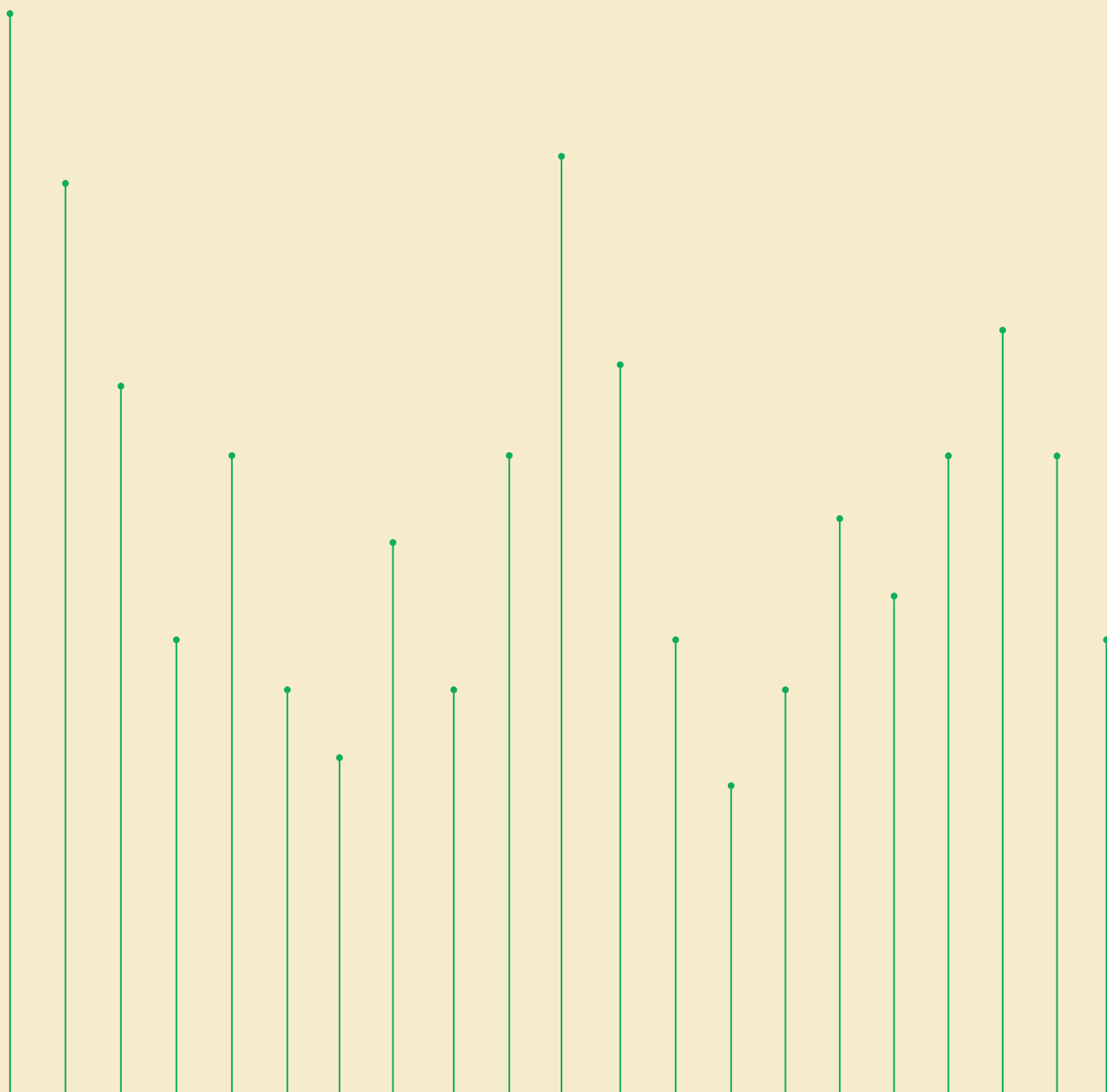




Finance & Economics Club
IIT Guwahati

POLYMEDICURE

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SECTOR ANALYSIS

MACRO-ECONOMIC FACTORS

GDP FACTOR

According to the Economic Survey 2022-23, the budgeted expenditure on healthcare as a percentage of GDP **increased from 1.6% in FY21 to 2.1% in FY23** and 2.2% in FY22.

TRADE

- India's healthcare sector is fast-growing, with a projected compound **annual growth rate of 15%** from 2011-2017. It is expected to reach \$158.2 billion in 2017-18, up from \$68.4 billion in 2011.
- The hospital business dominates the market with a 71% share, followed by **pharmaceuticals at 13%**, medical equipment and supplies at 9%, medical insurance at 4%, and diagnosis at 3%.
- Factors like rising incomes, an aging population, increasing health awareness, and a shift towards preventive healthcare will drive the demand for healthcare services.
- The **affordability of medical services** has contributed to the growth of medical tourism in India.
- India has become a **hub for R&D activities** due to its low cost of clinical research. Favorable policies, tax benefits, and promising growth prospects have **attracted foreign investments** in the sector.
- The private sector is expected to play a dominant role in healthcare spending, with its share projected to **rise from 66% in 2005 to 81% in 2015**.
- In hospitals and hospital beds, the private sector's share is estimated at 74% and 40%, respectively.
- Per capita health expenditure has been increasing at a compound annual growth rate of 10.3% from 2008 to 2011, reaching \$57.9. It is **expected to reach \$88.7 by 2015**.

GOVERNMENT POLICIES

- The Government aims to develop India as a **global healthcare hub**.
- Strengthening public health surveillance in India will further enhance the health systems.
- In the Union Budget 2023-24, the government allocated **Rs. 89,155 crore** (US\$ 10.76 billion) to the Ministry of Health and Family Welfare (MoHFW).
- In March 2021, the Parliament passed the **National Commission for Allied & Healthcare Professions Bill 2021**. This bill aims to establish a regulatory body responsible for maintaining educational and service standards for healthcare professionals.

COMPANY ANALYSIS

INTRODUCTION

Poly Medicure Limited (Polymed) is a medical device company that manufactures a wide range of products including central venous access catheters, **anesthesia disposables, infusion sets, gastroenterology tubes, blood bags and administration sets, urine bags and catheters, surgery and wound drainage products, dialysis disposables, diagnostics disposables, pediatric products** such as mucus extractors and umbilical cord clamps, and other disposable products like insulin syringes and sputum collectors. The company operates manufacturing facilities in Faridabad, Haridwar, Jaipur, and China, and markets its products internationally through a direct sales force and distributors. Polymed is headquartered in Faridabad, Haryana, India.

SWOT ANALYSIS

STRENGTHS

- The company has shown a **strong profit growth of 24.68%** over the past 3 years.
- The company has demonstrated a **solid revenue growth of 18.24%** over the past 3 years.
- The company maintains a **healthy interest coverage ratio of 24.23**.
- The company has consistently maintained an effective average **operating margin of 24.95%** over the last 5 years.
- The company has an **efficient Cash Conversion Cycle of 32.09 days**. The company has achieved a commendable profit growth of 19.5% CAGR over the last 5 years.

WEAKNESSES

- The company is trading at a high price-to-earnings **(PE) ratio of 62.63**.
- The company is trading at a high enterprise value-to-EBITDA **(EV/EBITDA) ratio of 37.77**.
- The stock is trading at 10.6 times its book value.

OPPORTUNITIES

- Opportunities for Polymedicure include global expansion, **increasing demand for medical devices, government incentives for research and development (R&D)**, geographical diversification, innovation and product diversification, strategic partnerships, a growing healthcare industry, evolving regulatory environment, technological advancements, and sustainability initiatives.

THREATS

- **Intense Competition:** The competitive market can impact market share and profitability.
- **Reliance on Imports:** The company is vulnerable to supply chain disruptions due to its reliance on imports.
- **Regulatory Risks:** Changes in regulations can affect the company's operations.
- **Tax Benefits Expiration:** The company's profitability may be impacted after tax benefits expire.
- **Economic and Global Market Uncertainty:** Uncertainty in export markets can pose challenges.
- **Currency and Trade Risks:** The company faces risks related to international operations and currency fluctuations.
- **Expansion Risks:** There are uncertainties associated with the returns of expansion projects.
- **Market Demand Fluctuations:** Variations in market demand for medical devices can impact the company.
- **Supply Chain Disruptions:** Challenges in the supply chain can affect production and delivery.
- **Foreign Exchange Fluctuations:** Earnings may be impacted by currency fluctuations.

RISK ANALYSIS

IDENTIFICATION OF CREDIT AND LIQUIDITY RISKS

- **Credit Risks:** Polymedicure's credit risks are influenced by its heavy reliance on export earnings, which contribute about 75% of total revenue. This reliance on international sales exposes the company to foreign exchange fluctuations. It is important to consider potential challenges in collecting payments from international customers and the creditworthiness of these customers.
- **Liquidity Risks:** As Polymedicure plans for expansion, with a capital cost of Rs. 420 million partly financed through debt, there could be potential liquidity risks if the expansion does not generate the expected returns. This could affect the company's ability to fulfill its debt obligations.

COMMUNICATION OF RISKS

- Polymedicure's **credit risks** stem from its heavy reliance on export earnings, constituting about 75% of total revenue, exposing it to foreign exchange fluctuations.
- The **company's transparency is evident through disclosures of foreign exchange losses**, such as Rs. 96.8 million in FY12.
- Regarding **liquidity risks**, Polymedicure's expansion plans to increase installed capacity by 20% this year, with a Rs. 420 million capital cost partly financed through debt, could pose challenges if returns fall short, impacting its debt obligations.

INVESTMENT RATIONALE

PLAN 1HEALTH, ITALY – EXPANSION IN FY 20-21

Our stepdown subsidiary, Plan1Health Italy, has expanded its overall clean room area by 3x to increase manufacturing capacity. Additionally, a new warehouse has been added to facilitate the storage and movement of goods. **In 2021, the company will begin exporting its products to Brazil, Russia, China, and other countries.**

Polymed announces Academic Initiatives in collaboration with Infusion Nurses Society, India, focusing on nursing practices for good nursing care.

As nursing work becomes increasingly complex and technical, it is equally important to emphasize the fundamental nursing interventions that are vital for providing good nursing care. This initiative aims to **develop the foundational elements of nursing care**, particularly in relation to Infusion Therapy, and raise awareness about practice standards. **Training sessions and hands-on practice led by experienced nurses will be conducted to achieve this.**

MANUFACTURING

Poly Medicure Limited (Polymed) is a medical device company specializing in the manufacturing of a wide range of disposable medical products. With manufacturing facilities in India, China, Italy, and Egypt, Polymed has a high production capacity of **3.5 million medical devices per day**.

The company is known for its production of **high-quality medical devices** and holds the distinction of being the **first Indian company to establish overseas plants**. Polymed distributes its products internationally through **direct sales and a network of distributors**. The company's advanced technology is supported by a spacious manufacturing floor with **dedicated clean rooms for new product development**. Headquartered in **Faridabad, Haryana**, India, Polymed is a prominent player in the medical device industry.

BUSINESS DESCRIPTION AND MODEL

- Polymed is a global manufacturer of **high-quality medical devices** with 8 state-of-the-art facilities worldwide.
- They have **5 manufacturing facilities in India** (3 in Faridabad, 1 in Jaipur, and 1 in Haridwar), and 3 facilities abroad (Italy, China, and Egypt).
- Polymed prioritizes producing safe and innovative **medical devices to empower the medical fraternity** and provide high-quality healthcare.
- They value innovation, safety, and quality. Polymed has a strong foundation established over two decades ago.
- They are supported by their founders, partners, stakeholders, customers, and a dedicated team.
- Polymed surpasses boundaries and challenges traditional norms in the medical device industry.

PRODUCT PORTFOLIO

PATENTED PRODUCTS

- | | |
|-------------------------------|-----------------------------|
| • Arterial Cannula | • Auto Air Stop |
| • Safety IV Cannula | • Vial Access Spikes |
| • Safety Blood Collection Set | • Blood Safe IV Cannula |
| • Safety Fistula Needle | • Closed System IV Catheter |

Poly Medicure Ltd. (POLYMED) is a leading manufacturer of medical devices. They specialize in Safety IV Catheters, Closed System & Blood Control Catheters, Vial Access Spikes & Infusion Devices, PU/PE, PVC Catheters, POLYMEDICURE 7 Haemodialysis & Central Venous Catheters, Blood Bags & Blood Tubes, Dialyzers, and Disposables for Vascular Access, Anaesthesia, Dialysis, Oncology, Gastroenterology, Surgery, and Wound Drainage. POLYMED prides itself on offering advanced solutions in design and materials through its R&D capabilities.

POLYMED'S SUBSIDIARY, PLANIHEALTH IN ITALY,
PRODUCES A RANGE OF VASCULAR ACCESS DEVICES,
INCLUDING

- Titanium & Plastic Ports
- PICC Lines
- Mid Lines
- Mini Mid Lines
- Neonatal products

REVENUE BASED ON NATURE OF PRODUCTS

- Medical Devices: 99.384%
- Export incentives: 0.464%
- Scrap & Others: 0.150%

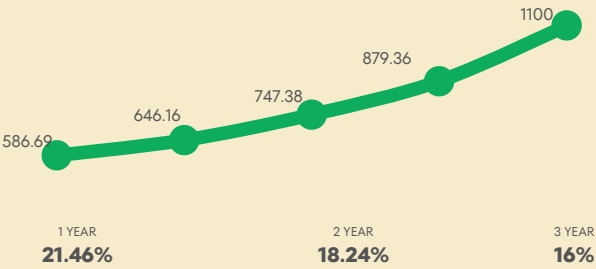
FINANCIAL ANALYSIS

COMPANY ESSENTIALS

MARKET CAP ₹ 13,199.80 Cr.	ENTERPRISE VALUE ₹ 13,157.92 Cr.	NO OF SHARES 9.60 Cr.
P/E 62.63	P/B 10.21	FACE VALUE ₹ 5
DIV. YIELD 0.22%	BOOK VALUE (TTM) ₹ 134.66	CASH ₹ 176.38 Cr.
DEBT ₹ 134.51 Cr.	PROMOTER HOLDING 53.16%	EPS (TTM) ₹ 21.96
SALES GROWTH 21.46%	ROE 15.52%	ROCE 19.34%

RATIO ANALYSIS

Sales Growth



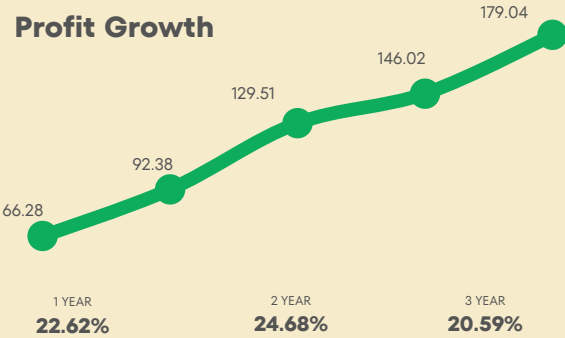
ROC%



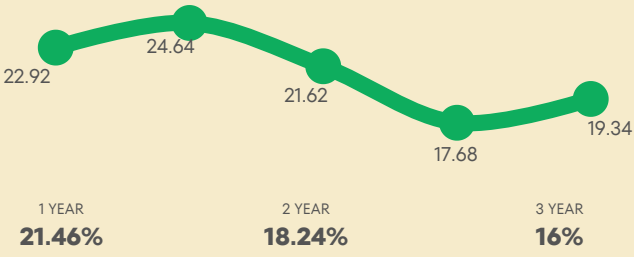
Debt/Equity
0.1

Price to cash flow
77.95

Profit Growth



ROCE%



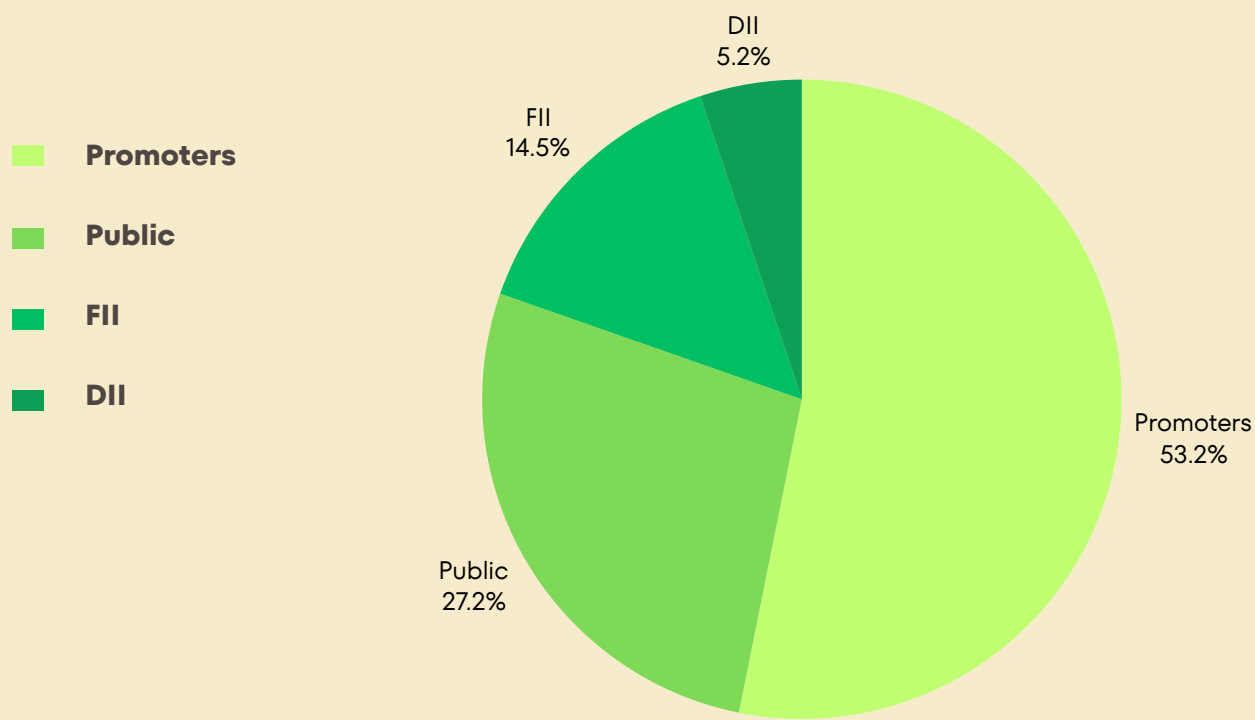
Interest cover ratio
24.3

CFO/PAT
1.10

COMPETITIVE ANALYSIS

Company	PRICE Rs.	MCAP Cr.	P/B	P/E	EPS Rs.	ROE %	ROCE %	P/S	EBIDT A
Poly Medicure	1582.65	15188.79	11.46	67.58	23.42	15.52	19.34	14.22	41.06
Prevest Denpro	433	519.73	6.47	31.46	13.76	24.19	32.25	10.43	21.60
Hemant Surgical Inds	165	172.26	3.56	22.51	7.33	41.64	44.94	1.58	13.09
Holmarc Opto-Mech	113.50	114.07	4.96	32.03	3.54	35.91	44.11	3.93	21.18
Shree Pacetrinix	222.55	80.10	7.07	19.36	11.49	39.74	45.76	3.97	12.84
GKB Ophthalmics	102.7 7	51.80	2.01	0	-7.54	-9.95	-3.81	1.87	84.21

SHAREHOLDING PATTERN



CASH FLOW

PARTICULARS	MAR 2019	MAR 2020	MAR 2021	MAR 2022	MAR 2023
Profit from operations	100.49	121.78	173.38	194.72	236.83
Adjustments	40.93	50.36	44.94	38.60	60.18
Changes in assets and liabilities	-0.74	-9.66	-57.79	-60.19	-44.31
Tax paid	-27.49	-35.58	-44.14	-46.86	-57.84
Operating Cash Flow	113.19	126.91	116.40	126.26	194.86
Investing Cash Flow	-104.27	-105.67	-434.41	-88.71	-187.22
Financing Cash Flow	-9.69	-22.25	318.192	-39.71	-7.89
Net Cash Flow	-0.77	-1.02	0.90	-2.16	-0.25

CONCLUSION

POLY MEDICURE - A PROMISING INVESTMENT OPPORTUNITY

Poly Medicure presents an enticing investment opportunity with a compelling mix of strengths, opportunities, and manageable risks.

STRENGTHS

- **Market Leader:** Poly Medicure enjoys a strong position as a leading manufacturer of medical devices in India, with a diverse product portfolio and established brand recognition.
- **Consistent Growth:** The company boasts a solid track record of consistent revenue and profit growth, driven by increasing demand for medical devices POLYMEDICURE 10 and its focus on innovation.
- **Global Footprint:** Poly Medicure has strategically expanded its operations internationally, diversifying its revenue streams and mitigating risk.

Strong Financials: The company maintains a healthy financial position with low debt and robust cash flows, providing a solid foundation for future growth.

OPPORTUNITIES

- **Growing Healthcare Market:** The global healthcare market is expected to grow significantly, driven by factors like population aging, increasing healthcare awareness, and rising disposable incomes. Poly Medicure is well-positioned with its diverse product range and strong distribution network.
- **Favorable Government Policies:** The Indian government's support for the healthcare sector and domestic manufacturing provides ample growth opportunities for Poly Medicure.
- **Innovation and Product Development:** Poly Medicure's focus on continuous innovation enables it to stay competitive and meet evolving market demands.

RISKS

- **Intense Competition:** In a fiercely competitive medical device industry, Poly Medicure encounters the ongoing task of preserving its competitive advantage through innovation, cost efficiency, and streamlined operations.
- **Regulatory Environment:** Navigating a complex and ever-changing regulatory landscape for medical devices demands Poly Medicure's continual compliance efforts and investment in upholding quality standards.
- **Economic Fluctuations:** Poly Medicure must proactively deploy strategic measures to counter the potential disruptions to its operations caused by global economic downturns, which can impact medical device demand.

INVESTMENT VERDICT :

Despite challenges, Poly Medicure's strengths, opportunities, and proactive management make it an attractive investment in the expanding healthcare sector. With robust finances, steady growth, and innovation focus, it's poised to excel in the global medical device market.